

**Virginia Resources Authority  
Board Meeting  
Minutes of the Regular Meeting  
Held March 10, 2020**

The Board of Directors of the Virginia Resources Authority met on Tuesday, March 10, 2020 in the William G. O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, VA.

The following Board members were present and acting throughout the meeting: Mr. Thomas L. Hasty, III, Ms. Mary Bunting, Ms. Cynthia Bailey, Mr. Mark Flynn, Mr. Reginald E. Gordon, Ms. Manju Ganeriwala, Mr. Cecil R. Harris, Jr., Mr. Dwayne Roadcap, and Ms. Valerie Thomson. Ms. Jennifer Bowles and Ms. Barbara Donnellan were absent from the meeting. Also present were: Mr. Ty Wellford and Mr. Zach Lucanie from Davenport & Company, LLC, Mr. David Gustin from McGuireWoods LLP, and Mr. Howard Eckstein from the Virginia Department of Health. VRA Staff present included: Ms. Hamlett, Ms. Adams, Ms. Bass, Mr. Bergeron, Mr. Crumlish, Mr. D'Alema, Mr. Doughtie, Mr. Farmer, Ms. Gordon, Ms. Jones, Ms. Maistros, Mr. Murray, Ms. O'Brien and Mr. Panos.

Mr. Hasty served as Chair of the Meeting and Ms. Hamlett as Secretary.

The Chair called the meeting to order at 9:00 a.m. and upon motion duly made by Mr. Harris and seconded by Ms. Bunting, the agenda as presented was approved.

The Board considered the next item on the agenda, which was approval of the minutes. Upon motion duly made, seconded and carried by affirmation votes of all the Directors noted above as being present, the minutes of the Portfolio Risk Management Committee held on December 9, 2019 and a regular meeting of the Board of Directors held on December 10, 2019, were approved as previously distributed. Motion by Ms. Ganeriwala, seconded by Mr. Gordon to approve the minutes. Motion carried.

### **Executive Director's Report**

Ms. Hamlett, Executive Director, presented the Executive Director's Report to the Board that was previously provided to them. She highlighted items in her report beginning with a summary of legislation that passed the General Assembly in recent weeks. The Shoreline Resiliency Fund (established by the General Assembly previously but never funded) will be renamed the Community Flood Preparedness Fund, with the purpose of providing funding for flood protection and coastal resilience, including projects to prevent flooding and related studies. The Department of Conservation and Recreation (DCR) will administer the Fund in partnership with VRA, though as the legislation is written the funds will flow through the Department of the Treasury. That issue and other technical matters have been discussed with the Secretary of Natural Resources and the Director of DCR, which may prompt amendments from the Governor for the legislature to consider.

Ms. Hamlett updated the Board on the status of the initiative to update VRA's Strategic Plan, reporting that representatives from the Performance Management Group at Virginia Commonwealth University had conducted interviews with all members of staff, and would be reaching out to VRA's borrowers and other stakeholders.

Ms. Hamlett next reported to the Board that in response to discussions held after the previous day's Portfolio Risk Management Committee (PRMC), VRA staff would be conducting a review of the methodology used in the Loan Monitoring and Compliance Database. It was noted that VRA adopted the current system nearly 10 years ago, and it may be time to review the categories and processes for assessing risk in borrowers to ensure that the methodology meets the current needs of the organization. Ms. Bunting noted an observation that

there is a divergence between locality credit ratings and the risk categories in the Database and that is one area to explore. Ms. Ganeriwala mentioned that the Auditor of Public Accounts conducts fiscal stress ratings for localities and Mr. Harris noted some of the history of that process from the perspective of local governments. Mr. Hasty recalled that the intent at the time of VRA's adoption of the loan monitoring and compliance methodology was to prevent any surprises and ensure that if a borrower began to show signs of fiscal stress, VRA would see signs and be able to offer assistance. Mr. Wellford echoed the comments regarding the history of the methodology and its intent, noting particularly VRA's expressed desire for a separate system of risk rating its loan portfolio distinct from local government credit ratings.

## **Committee Reports**

### **Portfolio Risk Management Committee (PRMC)**

Mr. Hasty, on behalf of the PRMC, asked Mr. D'Alema, Director of Program Management, to present to the Board matters discussed in the PRMC meeting.

#### **Spring 2020A VPFP**

Mr. D'Alema began his presentation with an overview of the upcoming Spring 2020A VPFP Pool, which includes 6 active loan applications. Due diligence calls with the applicants were completed in February, and each application falls within VRA's underwriting guidelines. VRA also reached out to over 30 current borrowers that may choose to participate due to potential for refunding savings associated with previously issued VPFP loans. Mr. D'Alema highlighted the three largest loan requests included in the upcoming issuance: the Town of Altavista, the City of Suffolk and York County.

The Board briefly discussed volatility in the markets, with Ms. Ganeriwala noting that due to the market conditions the Department of the Treasury has postponed a half-billion-dollar issuance that had been planned for March 10. Mr. D'Alema indicated that the pricing for the Spring Pool would occur in mid-May, which may provide time for the market to stabilize. Closing for the Spring Pool is planned for May 27. Mr. D'Alema also highlighted Goochland County, which may seek to complete a stand-alone refinancing of a 2012 VRA bond issuance. After a 2012 debt restructuring with VRA, Goochland has made significant improvements in its financial standing, resulting in 'AAA' long-term issuer credit ratings from Moody's and Standard & Poor's. If the County chooses to pursue this refunding opportunity, the transaction is covered by VRA's approved FY2020 refunding shelf resolution, so there is no need for further Board action.

#### **Summer 2020B VPFP**

Mr. D'Alema indicated that a summer issuance is planned, given the convenience afforded to local governments entering a new fiscal year with newly identified capital projects. Borrowers may be able to take advantage of refunding opportunities and realize savings in addition to funding new money projects. Applications will be due on May 1, with the closing scheduled for August 5.

#### **VPFP Portfolio Update**


Mr. D'Alema provided a brief overview of the status of the VPFP Portfolio, which stands at \$2.43 billion in total loans outstanding, with 325 loans to 137 local government borrowers. He further highlighted the strength of the credit quality of the VPFP Portfolio.

### **Loan Monitoring and Compliance Update**

Mr. Hasty next called on Ms. Jones, Senior Program Manager/Compliance Officer, to provide the Board with a compliance update. Ms. Jones provided a high level overview of VRA's loan portfolio, showing how it has grown over the last decade. Further, the portfolio is largely categorized as "green," demonstrating the strength of the overall portfolio. Ms. Jones noted that in categorizing borrowers as "green," "yellow" and "red," the methodology identifies the bottom 10% in some rating metrics to be categorized as "red," and therefore as a practical matter the analysis will never show an absence of "red" borrowers. Ms. Jones showed the Board the loan monitoring and compliance analysis by individual loan program and aggregated across the entire portfolio. Borrowers considered new exposure to VRA were also highlighted in the analysis, and a map of the new borrowers illustrated broad geographic diversity in VRA's participating localities. Ms. Jones indicated to the Board that the average annual debt service from the largest single "red" borrower was approximately half of the current Portfolio Risk Management Reserve balance. Ms. Jones thanked staff for their hard work on the Loan Monitoring and Compliance initiative, which was echoed by Mr. Hasty, who acknowledged the hard work and its value.

### **Adjournment**

There were no new items or any further business to come before the meeting. No public comment. The meeting adjourned at 9:47 a.m.

  
Stephanie L. Hamlett, Executive Director  
Board Secretary

APPROVED:

  
Mr. Thomas L. Hasty, III, Chairman of the Board

**Virginia Resources Authority  
Portfolio Risk Management Committee Meeting  
Minutes of the Regular Meeting  
Held March 9, 2020**

The Portfolio Risk Management Committee Meeting of the Virginia Resources Authority met on Monday, March 9, 2020 in the William G. O'Brien Boardroom, Bank of America Building, 19th Floor, Suite 1920, 1111 E. Main Street, Richmond, VA.

The following Committee members were present and acting throughout the meeting: Mr. Tom Hasty, Ms. Manju Ganeriwala, and Ms. Valerie Thomson. Ms. Donnellan was absent from the Committee meeting. Other Board members present included: Ms. Cynthia Bailey and Ms. Mary Bunting. VRA Staff present included: Ms. Hamlett, Ms. Adams, Ms. Bass, Mr. Crumlish, Mr. D'Alema, Mr. Doughtie, Mr. Farmer, Ms. Gordon, Ms. Jones, Ms. Maistros, Mr. Murray, Ms. O'Brien and Ms. Pearson. Others present included Arthur Anderson and David Gustin from McGuireWoods LLP, and Ty Wellford and Zach Lucanie from Davenport & Company, LLC.

Mr. Hasty served as Chair of the Meeting on behalf of Ms. Donnellan, and Ms. Hamlett as Secretary.

The meeting was called to order by Mr. Hasty at 2:04 p.m. and upon motion duly made by Ms. Thomson and seconded by Ms. Bailey the agenda as presented was approved.

Mr. Hasty introduced Mr. D'Alema, Director of Program Management, to present to the Committee.

**2020A Spring VPFP Pooled Summary**

Mr. D'Alema provided the Committee with an overview of the upcoming 2020A Spring VPFP Pool. According to Mr. D'Alema, the spring transaction includes 6 active applications from localities seeking new exposure loans through the VPFP. Due diligence calls with the applicants were completed in February. All of the applications fall within VRA's underwriting guidelines, and therefore there are no action items before the Board of Directors for the March meeting. VRA staff has identified and contacted a number of current VPFP borrowers that may benefit from the opportunity to refund existing VPFP debt given current interest rates, including taking advantage of competitive taxable rates.

Ms. Ganeriwala remarked that the current state of the market is disrupted. The Department of the Treasury intended to go to market on March 10 for approximately \$500 million, but due to the unpredictable state of the market, Ms. Ganeriwala indicated that the offering would not take place as planned. Mr. Wellford echoed Ms. Ganeriwala's observations on the current state of the municipal bond market. Mr. D'Alema remarked that the Spring VPFP Pool would not go to market for another two months, at which time the market may be more stable.

Mr. D'Alema highlighted the three largest applications to the 2020A Spring Pool, which include the Town of Altavista, the City of Suffolk, and York County, and provided the

Committee with a schedule for the major milestones for the Pool. The Pool is expected to close on May 27.

### **2020B VPFP Summer Issuance**

Mr. D'Alema then provided the Committee an update on the planned summer issuance. He indicated that local government borrowers have become accustomed to having the opportunity to utilize VRA's VPFP Pool in the summer months after the change in fiscal year leads to newly identified local government construction projects. Some local borrowers may benefit from refunding opportunities, and some existing borrowers may take advantage of the opportunity to pursue advance refundings of prior VPFP debt on a taxable basis, depending on taxable market conditions in late July. Mr. D'Alema shared the anticipated schedule for the summer issuance with the Committee, which is planned to culminate in closing at the beginning of August.

### **Goochland (Tuckahoe Creek Service District) Series 2012 Refunding**

Mr. D'Alema mentioned that Goochland County has expressed interest in refunding for debt service savings a 2012 standalone VRA bond issuance that was issued on the County's behalf. The 2012 bond issue refunded and restructured a portion of a 2002 VRA standalone bond issue that financed water and sewer system improvements in the Tuckahoe Creek Service District area of Goochland. The restructuring from 2012 enabled the County to significantly reduce the maximum annual debt service on the loan, and the County is now seeking to refund the 2012 debt to achieve further debt service savings, subject to market conditions. The County's credit profile has improved significantly since 2012, which has resulted in 'AAA' long-term issuer credit ratings from Moody's and Standard & Poor's. If Goochland chooses to pursue this refunding opportunity, the transaction would fall under VRA's approved refunding shelf resolution for FY2020 and would not need further action from the VRA Board of Directors. Additional detail on the potential Goochland refunding will be provided in the interim report prior to the June 2020 PRMC and VRA Board meetings.

### **VPFP – Portfolio Update**

Next Mr. D'Alema provided the Committee an overview of the current VPFP Portfolio, which now totals \$2.43 billion in outstanding loans to localities. The portfolio includes 137 local government borrowers, which hold 325 loans in the program. Demonstrating the strength of the VPFP Portfolio, over 81% of the portfolio has at least an 'A-' rating from Standard & Poor's, and over 82% has at least an 'A1' rating from Moody's. The top 10 borrowers in the program represent almost 38% of the overall portfolio, a concentration that has declined from 44% in FY 12. Over the last 8 years, the largest borrower (the City of Suffolk) has remained below 9% of the overall portfolio, and currently represents almost 8%.

### **State Revolving Funds Update**

Mr. Hasty next acknowledged Mr. Crumlish, Director of Financial Services, to provide the Committee with an update on the State Revolving Funds. Mr. Crumlish reminded the Committee that at the December 2019 meetings of PRMC and the Board of Directors, VRA and

its agency partners were working toward leveraging the Clean Water Revolving Loan Fund and the Drinking Water State Revolving Fund in order to increase capacity of the programs. Mr. Crumlish indicated that the projects prompting the need for the bond issuance are likely to be ready for construction in the next fiscal year (FY 21). The timing of the funding needs has delayed the bond issuance until the Fall.

### **Loan Monitoring and Compliance Update**

Ms. Stephanie Jones, Senior Program Manager/Compliance Officer, provided the Committee with a Loan Monitoring and Compliance update. Ms. Jones reviewed the status of VRA's portfolio of loans as of FYE 2018, starting with analysis of the portfolio by each program. The Virginia Pooled Financing Program (VPFP) represents the largest portfolio, with the largest dollar volume of loans outstanding. The program has seen tremendous growth over the years and is trending steadily more "green." Ms. Jones next addressed VRA's revolving loan funds. The Clean Water Revolving Loan Fund Program is also a strong portfolio of borrowers, while the Drinking Water State Revolving Fund represents a weaker portfolio given the borrowers that utilize the program. The next program discussed was the Virginia Transportation Infrastructure Bank (VTIB), which is relatively new. Ms. Ganeriwala inquired about the level of available funding in the VTIB, and Mr. Crumlish answered that approximately \$320 million in VTIB is currently committed to projects, and approximately \$60 million is available. Further discussion ensued regarding the revenue stream for VTIB, with Mr. Crumlish noting that there are no pending applications and Ms. Jones noting that VTIB projects are particularly large in scope, which restricts the number of projects that can be funded. The Committee next heard from Ms. Jones about the County of Goochland, which is a stand-alone borrower with VRA for its Tuckahoe Creek Service District project. In 2012 VRA worked with the county to restructure its debt, and the county has seen significant improvement in its financial standing. Ms. Jones summarized the debt portfolio of the Virginia SAVES program, which includes 6 counties that have borrowed funds, and the Virginia Airports Revolving Fund (VARF) that has a strong portfolio made up of loans to airports in the Commonwealth. The Tobacco Region Revolving Fund (TRRF) currently includes 4 loans made by the Tobacco Region Revitalization Commission, and administered by VRA. At FYE 18 the single borrower in the TRRF was the Town of St. Paul, which is a "green" borrower, but it is unlikely for the TRRF to remain wholly in the "green" category in future years. The Committee briefly discussed the Tobacco Region Revitalization Commission, noting that the needs of rural Virginia continue to evolve. Finally, Ms. Jones updated the Committee on the Pooled Loan Bond Program (PLBP), which preceded VPFP. At FYE 18, the PLBP only included three borrowers, with final payments for the final two participants scheduled in FY 22.

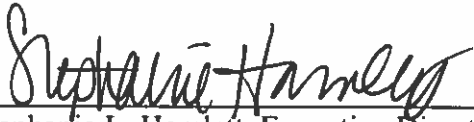
Ms. Jones highlighted results by locality type, noting in particular that cities tend to show greater fiscal stress than counties, but the fiscal stress can be mitigated by strong local management to prevent fiscal distress. Ms. Jones also noted that as in prior years, the weakest of the borrowers by type are the town and non-governmental borrowers.

Ms. Jones indicated that combined, VRA's portfolios are strong, but that there will always be "red" borrowers with the size of the portfolio and how the Database was designed. Borrowers considered new exposure to VRA were also highlighted, including a map of the new


borrowers across the Commonwealth which illustrated broad geographic diversity in VRA's participating localities. Ms. Jones indicated to the Committee that the average annual debt service from the single largest "red" borrower was approximately half of the current Portfolio Risk Management Reserve balance. Ms. Jones thanked staff for their hard work on the Loan Monitoring and Compliance initiative, which was echoed by Mr. Hasty, who acknowledged the hard work and its value. The Committee then discussed potential impacts of emerging events on borrowers, to include public health threats, impacts of sea-level rise and cyber security. Ms. Hamlett indicated that while it may not be possible to include all potential factors in a broad analysis, these topics and mitigation strategies are covered during due diligence calls with individual borrowers prior to granting loans.

### **Adjournment**

There were no new items or any further business to come before the meeting. Motion by Ms. Ganeriwala seconded by Ms. Thomson that the meeting be adjourned. Motion carried, and the meeting adjourned at 3:05 p.m.

  
Stephanie L. Hamlett, Executive Director  
Board Secretary

### **APPROVED:**

  
Mr. Thomas L. Hasty, III, Chairman of the Board, on behalf of  
Ms. Barbara McCarthy Donnellan, Chair